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**Shreveport Regional Arts Council
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended June 30, 2006 and 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1 / 10 / 07

Shreveport Regional Arts Council
Shreveport, Louisiana

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Independent Auditors' Report

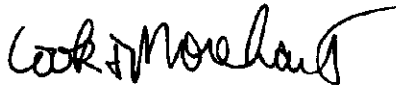
To the Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

We have audited the accompanying statements of financial position of the Shreveport Regional Arts Council as of June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Shreveport Regional Arts Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Regional Arts Council as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2006 on our consideration of the Shreveport Regional Arts Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Cook and Morehart
Certified Public Accountants
December 18, 2006

Shreveport Regional Arts Council
Shreveport, Louisiana
Statements of Financial Position
June 30, 2006 and 2005

Assets

	2006	2005
Current assets:		
Cash and cash equivalents	\$ 130,867	\$ 397,934
Investments	1,167,957	1,102,392
Grants receivable	373,129	402,978
Other receivables	42,814	45,314
Unconditional promises to give	47,750	59,750
Prepaid expenses	6,249	11,239
Total current assets	<u>1,768,766</u>	<u>2,019,607</u>

Noncurrent assets:

Long-term unconditional promises to give	55,720	104,778
Deposits	1,200	1,200
Property and equipment, net	105,965	126,864
Total noncurrent assets	<u>162,885</u>	<u>232,842</u>

Total Assets	<u>\$ 1,931,651</u>	<u>\$ 2,252,449</u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 45,540	\$ 55,461
Grants payable	59,766	91,955
Accrued expenses	45,681	50,597
Total current liabilities	<u>150,987</u>	<u>198,013</u>

Net assets

Unrestricted:

Operating	59,269	476,939
Designated	1,167,957	1,102,392
Fixed assets	105,965	126,864
Temporarily restricted	<u>447,473</u>	<u>348,241</u>

Total net assets	<u>1,780,664</u>	<u>2,054,436</u>
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Total Liabilities and Net Assets	<u>\$ 1,931,651</u>	<u>\$ 2,252,449</u>
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The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Totals
Revenues, gains, support and reclassifications:			
Admissions sales and concessions	\$ 133,111	\$	\$ 133,111
Tuition and fees	48,054		48,054
Individual contributions	259,295		259,295
Business and industry contributions	188,175		188,175
Foundation grants	63,625		63,625
Government grants / contracts:			
City of Shreveport	130,500	325,000	455,500
Other governments	50,000		50,000
State of Louisiana	554,594	19,003	573,597
Special events -			
Christmas in the Sky	51,424		51,424
Investment income	52,500		52,500
Net unrealized gains on investments	21,134		21,134
Miscellaneous income	18,098		18,098
Net assets released from restrictions			
Satisfaction of program restrictions	244,771	(244,771)	
Total revenues, gains, support and reclassifications	1,815,281	99,232	1,914,513
Expenses:			
Supporting services -			
General and administrative	404,985		404,985
Special events fund raising -			
Christmas in the Sky	99,294		99,294
Total supporting services	504,279		504,279
Programs services			
Artbreak	179,607		179,607
Arts in Education	77,270		77,270
Artsmart	202,336		202,336
Artspace	618,973		618,973
Decentralized Arts Funding	294,600		294,600
Public Art	17,882		17,882
Regrants, Panels and other programs	293,338		293,338
Total programs services	1,684,006		1,684,006
Total expenses	2,188,285		2,188,285
Change in net assets	(373,004)	99,232	(273,772)
Net assets, beginning of year	1,706,195	348,241	2,054,436
Net assets, end of year	\$ 1,333,191	\$ 447,473	\$ 1,780,664

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Totals
Revenues, gains, support and reclassifications:			
Admissions sales and concessions	\$ 131,797	\$	\$ 131,797
Tuition and fees	138,404		138,404
Individual contributions	153,194	40,000	193,194
Business and industry contributions	380,274	11,250	391,524
Foundation grants	65,000		65,000
Government grants / contracts:			
City of Shreveport	675,500		675,500
Other governments	55,000		55,000
State of Louisiana	669,151		669,151
Special events -			
Christmas in the Sky	810,780		810,780
Investment income	27,564		27,564
Net unrealized gains on investments	14,935		14,935
Miscellaneous income	11,201		11,201
Net assets released from restrictions			
Satisfaction of program restrictions	273,673	(273,673)	
Total revenues, gains, support and reclassifications	3,406,473	(222,423)	3,184,050
Expenses:			
Supporting services -			
General and administrative	498,525		498,525
Special events fund raising -			
Christmas in the Sky	557,518		557,518
Total supporting services	1,056,043		1,056,043
Programs services			
Artbreak	152,191		152,191
Arts in Education	82,710		82,710
Artsmart	235,757		235,757
Artspace	991,313		991,313
Decentralized Arts Funding	286,178		286,178
Public Art	54,875		54,875
Regrants, Panels and other programs	300,405		300,405
Total programs services	2,103,429		2,103,429
Total expenses	3,159,472		3,159,472
Change in net assets	247,001	(222,423)	24,578
Net assets, beginning of year	1,459,194	570,664	2,029,858
Net assets, end of year	\$ 1,706,195	\$ 348,241	\$ 2,054,436

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2006

	Support Services		Program Services							Totals	
	General Administrative	Fund Raising - Christmas In the Sky	Artbreak	Arts in Education	Artsmart	Artspace	Decentralized Arts Funding	Public Art	Regents, Panels and Other Programs	Total Program Services	Totals
Advertising	\$ 26,402	\$ -	\$ 2,000	\$ -	\$ 90	\$ 101,151	\$ -	\$ 3,600	\$ -	\$ 106,841	\$ 133,243
Bank charges	15,429	1,794				1,789		65		1,854	19,077
Depreciation expense	28,761										28,761
Professional services	10,027	1,024	25,622	33,662	135,451	126,918	2,498	8,291	4,625	337,067	348,118
Salaries	159,737	61,729	41,697	35,524	49,757	190,410	32,873	4,143		354,404	575,870
Employee benefits	52,981										52,981
Payroll taxes	10,974	5,371	21,090	3,109	4,092	18,102	2,956	740		50,089	66,434
Taxes - other	4,818			86		2,588				2,674	7,492
Repair and maintenance	6,775	155	156			5,086	294			5,536	12,466
Equipment and facility rentals	10,534		2,400			905			550	3,855	14,389
Security	360	360	11,115			5,245			1,098	17,458	18,178
Travel											
Staff and board											
Program	5,545	1,145		429	653	5,045	595		179	6,901	13,591
Promotion and printing	2,670	5,678	11,002		269		1,550		1,538	14,359	22,707
Postage	4,101	2,935	471	333	215	9,216	1,180	3	244	11,662	18,698
Telephone	11,883					954			954		12,837
Seminar fees	395					885				885	1,280
Supplies and fees	10,787	1,030	11,974	2,766	8,265	77,216	4,119	256	345	104,941	116,758
Insurance expense	16,259	1,034	844	784	784	11,871	784	784		15,851	33,144
Grants to other agencies	175						247,401		280,696	528,097	528,272
Admissions sales											
and concessions	275		7,452			38,581				46,033	46,308
Miscellaneous expense	16,543	5,550			217	497				714	22,807
Office											
Awards			8,069			132				8,069	8,069
Dues and subscriptions	3,206									132	3,338
Utilities	1,085										1,085
Technical fees	1,874		8,253		400	1,073			275	10,001	11,875
Event expenses	3,390	11,489	27,462	577	2,143	21,309	350		3,788	55,629	70,508
Loss on disposal											
	<u>\$ 404,985</u>	<u>\$ 99,294</u>	<u>\$ 179,607</u>	<u>\$ 77,270</u>	<u>\$ 202,336</u>	<u>\$ 618,973</u>	<u>\$ 294,600</u>	<u>\$ 17,882</u>	<u>\$ 293,338</u>	<u>\$ 1,564,006</u>	<u>\$ 2,188,285</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2005

	Support Services		Program Services									Totals
	General and Administrative	Fund Raising - Christmas In the Sky	Artbreak	Arts in Education	Artsmart	Artspace	Decentralized Arts Funding	Public Art	Regrants, Panels and Other Programs	Total Program Services		
Bank charges	\$ 3,811	\$ 14,825	\$	\$	\$ 32	\$ 1,406	\$	\$ 132	\$	\$ 1,570	\$ 20,206	
Depreciation expense	33,123										33,123	
Professional services	29,207	36,890	38,356	62,197	169,474	257,098	1,503	38,917	6,169	573,714	639,811	
Salaries	245,377	77,286	18,858	8,436	19,772	62,915	23,022		1,050	134,053	456,716	
Employee benefits	57,103	39,933				15,485				15,485	112,521	
Payroll taxes	19,299	6,223	378	1,733	2,177	4,933	899			10,120	35,642	
Taxes - other	316					2,222				2,222	2,538	
Repair and maintenance	7,011	5,875				38,660				38,660	51,546	
Equipment and facility rentals	15,661	4,931	1,220			8,394				9,614	30,206	
Security	390	630	8,860			5,046				13,906	14,926	
Travel												
Staff and board	8,811										8,811	
Program		26,503	3,752	647	2,956	23,310	2,217	171		33,053	59,556	
Promotion and printing	11,807	43,964	13,628	52	22	276,565	1,533	5,738		297,538	353,309	
Postage	2,486	7,845	449	251	79	32,674	900	86		34,439	44,770	
Telephone	13,252		175			1,726	127			2,028	15,280	
Seminar fees	583				37		542			579	1,162	
Supplies and fees	15,538	53,075	18,612	5,628	35,884	109,563	2,446	1,553		173,686	242,299	
Insurance expense	10,248	294				16,703				16,703	27,245	
Grants to other agencies							252,989		293,186	546,175	546,175	
Admissions sales												
and concessions	903	2,336	26,176	617	1,546	31,207		431		59,977	63,216	
Miscellaneous expense	449	1,329	1,981	3,125		3,848		7,847		16,801	18,579	
Office	3,872					525				525	4,397	
Awards			7,819			5,825				13,644	13,644	
Dues and subscriptions	4,325			24		1,469				1,493	5,818	
Utilities	1,053										1,053	
Technical fees	1,810		6,300			1,611				7,911	9,721	
Event expenses		235,579	5,627		3,778	90,128				99,533	335,112	
Loss on disposal												
	12,090										12,090	
\$	498,525	\$ 557,518	\$ 152,191	\$ 82,710	\$ 235,757	\$ 991,313	\$ 286,178	\$ 54,875	\$ 300,405	\$ 2,103,429	\$ 3,159,472	

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

Operating Activities	<u>2006</u>	<u>2005</u>
Changes in net assets	\$ (273,772)	\$ 24,578
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	28,760	33,123
Realized and unrealized gains and losses on investments	(65,565)	(14,935)
Loss on disposal of equipment		12,090
(Increase) decrease in operating assets:		
Grants receivable	29,849	(8,044)
Other receivables	2,500	(27,586)
Promises to give	61,058	(30,250)
Prepaid expenses	4,990	22,472
Increase (decrease) in operating liabilities:		
Accounts payable	(9,921)	33,825
Grants payable	(32,189)	11,420
Accrued expenses	(4,916)	(10,941)
Net cash provided (used) by operating activities	<u>(259,206)</u>	<u>45,752</u>
 Investing Activities		
Payments for property and equipment	(7,861)	(37,786)
Purchase of investments		(31,308)
Net cash used by investing activities	<u>(7,861)</u>	<u>(69,094)</u>
 Net decrease in cash and cash equivalents	(267,067)	(23,342)
 Cash and cash equivalents as of beginning of year	<u>397,934</u>	<u>421,276</u>
 Cash and cash equivalents as of end of year	<u>\$ 130,867</u>	<u>\$ 397,934</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The Shreveport Regional Arts Council (SRAC) is a private, nonprofit corporation governed by a board of directors and administered by a professional staff. SRAC's goal is to serve as an umbrella organization to enrich the quality of life within the region through the promotion of the Arts. SRAC's services, therefore, include providing cultural programming, scheduling and coordinating cultural activities, and other professional services directed toward its stated goal.

B. Basis of Accounting

The financial statements of SRAC have been prepared on the accrual basis of accounting.

C. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

D. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, SRAC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise to give is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

G. Investments

Investments are stated at fair market value, based on quoted market prices.

H. Property and Equipment

Property, equipment, and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

I. Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

J. Advertising Costs

SRAC uses advertising to promote its services among the community it serves. The costs of advertising are expensed as incurred. During 2006 and 2005, advertising costs totaled \$133,243 and \$237,406, respectively. Included in this amount is \$60,255 and \$196,106, respectively, of in-kind contributions.

K. Employee Benefit Plans

SRAC established a Simple Retirement Account plan for its full and part-time employees. An employee is eligible to participate in any calendar year if the employee received at least \$5,000 of compensation during each of the two preceding year calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Participation is voluntary, and the employee may contribute up to \$7,000 per year. SRAC matches the employee's contribution up to 3% of the employee's annual compensation, or \$7,000, which ever is less. The contribution charged to expense for the years ended June 30, 2006 and 2005, was \$5,326 and \$5,194, respectively.

L. Income Tax Status

SRAC is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SRAC's tax-exempt purpose is subject to taxation as unrelated business income. SRAC had no such income for this audit period.

M. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

N. Accrued Absences

SRAC's policy is to pay employees upon termination for vacation time accrued up to 80 hours maximum per employee with 0-5 years experience; up to 96 hours for employees with 5-10 years experience; up to 120 hours for employees with 10-15 years experience; up to 144 hours for employees with 15-20 years experience; and up to 168 hours for employees with over 20 years experience. An accrued liability for vacation time of \$37,601 and \$44,438 is included in accrued expenses at June 30, 2006 and 2005, respectively.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

(2) Agreement for services

Under a formal agreement for services between the City of Shreveport (the City) and SRAC, the City agrees to provide technical assistance in the planning and implementation of programs, use of certain facilities, office space and personnel and funding for programming. The fair value of the technical assistance received and use of the facilities, office space and personnel is not reasonably determinable and is not recorded as revenue. SRAC also agrees to provide certain programming services under the agreement.

(3) Concentrations of Credit Risk

SRAC maintains cash balances at several financial institutions located in the Shreveport area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2006 and 2005, total cash balances held at financial institutions was \$166,487, and \$457,666, respectively. Of these amounts, \$166,487 and \$218,468, respectively, was secured by FDIC and the remaining \$239,198 was not insured in 2005.

Concentrations of credit risk with respect to promises to give are limited due to the large number of contributors comprising SRAC's contributor base and their dispersion across different industries. As of June 30, 2006 and 2005, SRAC had no significant concentrations of credit risk in relation to promises to give.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2006 and 2005, SRAC had no significant concentrations of credit risk in relation to grant receivables.

(4) Promises to Give

Unconditional promises to give at June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 47,750	\$ 59,750
Receivable in one to five years	62,500	115,000
Less discount on promise	(6,780)	(10,222)
Net long-term	<u>55,720</u>	<u>104,778</u>
Net unconditional promises to give	<u>\$ 103,470</u>	<u>\$ 164,528</u>

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

(5) Investments

Investments as of June 30, 2006, and 2005 consisted of the following:

	2006		2005	
	Fair Value	Cost	Fair Value	Cost
Money market	\$ 25,147	\$ 25,020	\$ 23,939	\$ 24,041
Fixed income	597,006	614,235	575,265	582,337
Equities	545,804	488,668	503,188	503,708
	<u>\$ 1,167,957</u>	<u>\$ 1,127,923</u>	<u>\$ 1,102,392</u>	<u>\$ 1,110,086</u>

Unrealized gains were \$21,134 and \$14,935 for the years ended June 30, 2006 and 2005, respectively.

(6) Property and Equipment

Property and equipment at June 30, 2006 and 2005, with estimated depreciable life, are summarized as follows:

		2006	2005
Leasehold improvements	30 years	\$ 80,594	\$ 80,594
Furniture, fixtures, equipment	5-10 years	130,937	123,076
		211,531	203,670
Accumulated Depreciation		(105,566)	(76,806)
		<u>\$ 105,965</u>	<u>\$ 126,864</u>

Depreciation expense for the years ended June 30, 2006 and 2005, was \$28,760 and \$33,123, respectively.

(7) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2006	2005
For subsequent year's activities - Artspace campaign	\$ 103,470	\$ 164,528
City of Shreveport contract	325,000	170,000
Decentralized Arts Funding (DAF)	19,003	13,713
	<u>\$ 447,473</u>	<u>\$ 348,241</u>

(8) Designated Net Assets

The Board of Directors designated cash and investments at June 30, 2006 and 2005 totaling \$1,167,957 and \$1,102,392, respectively to insure that SRAC's resources will remain stable regardless of potential changes in public or private funding.

(9) Operating Leases

SRAC leases certain office space and equipment under operating leases. Rental costs for these leases for the years ended June 30, 2006 and 2005 was \$8,385 and \$8,576, respectively. There are no commitments for these leases after June 30, 2006.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

(10) Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2006 and 2005:

	2006	2005
Accrued leave payable	\$ 37,601	\$ 44,438
Payroll and sales taxes payable	8,080	6,159
	<u>\$ 45,681</u>	<u>\$ 50,597</u>

(11) Third Party Reimbursement

During the years ended June 30, 2006 and 2005, SRAC received contractual revenue from state, parish, and city grants in the amount of \$1,079,097 and \$1,399,651, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(12) Donated Materials, Facilities, and Services

Various materials and services were donated to SRAC by various individuals and organizations. Donated materials and services for the years ended June 30, 2006 and 2005 were \$63,578 and \$382,274, respectively, were recorded at fair market value at the date of donation, and have been included in revenue and expenses for this year.

COOK & MOREHART

Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 2006, and have issued our report thereon dated December 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shreveport Regional Arts Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Shreveport Regional Arts Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2, 2006-3, and 2006-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport Regional Arts Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish extending from the end.

Cook & Morehart
Certified Public Accountants
December 18, 2006

Shreveport Regional Arts Council
Shreveport, Louisiana
Summary Schedule of Audit Findings
As of and for the Years Ended June 30, 2006 and 2005

Summary Schedule of Prior Audit Findings

There were two reportable conditions for the prior year audit for the year ended June 30, 2005, as follows:

2005-1 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that the accountant who maintains the agency's general ledger is also responsible for the following:

- Receiving the bank statements unopened from the bank.
- Reconciling the bank statements to the agency's general ledger.
- Preparing checks for mailing once required signatures are obtained.

Recommendation: We recommend that adequate internal controls be established concerning separation of duties, including the following:

- A responsible individual, other than the accountant, receive the bank statements unopened from the bank and review the activity.
- Bank reconciliations should be reviewed by a responsible individual on a monthly basis.
- Custody of checks after signature and before mailing be handled by an employee independent of all payable, disbursing, cash, receiving, and general ledger functions.

Current Status: Some improvement noted. See repeat comment in current year audit.

2005-2 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that charges on credit card statements were not always reconciled to and supported by actual receipts.

Recommendation: We recommend that charges on credit card statements be reconciled to and supported by actual receipts prior to making payments.

Current Status: See repeat comment in current year audit.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Summary Schedule of Audit Findings
As of and for the Years Ended June 30, 2006 and 2005
(Continued)

Corrective Action Plan for Current Year Audit Findings

There are three reportable conditions for the current year audit for the year ended June 30, 2006, as follows:

2006-1 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that the accountant who maintains the agency's general ledger is also responsible for the following:

- Reconciling the bank statements to the agency's general ledger.
- Preparing checks for mailing once required signatures are obtained.
- Preparing deposit slips, recording deposits in general ledger, and taking deposits to the bank.

Recommendation: We recommend that adequate internal controls be established concerning separation of duties, including the following:

- Bank reconciliations should be reviewed by a responsible individual on a monthly basis.
- Custody of checks after signature and before mailing be handled by an employee independent of all payable, disbursing, cash, receiving, and general ledger functions.
- Deposit slips be prepared an employee independent of the general ledger function.

Management response:

- A procedure will be established whereby the bank statements will be reconciled and then reviewed by the organization's Treasurer on a monthly basis, and treasurer will also be provided with a general ledger to insure their agreement.
- The organization, while limited in personnel, is evaluating alternatives to improve the situation relative to this issue.
- The organization will have the employee who prepares daily log of deposit items to also complete deposit slips. These deposits, after being reviewed by accountant, will be taken to the bank by another employee.

2006-2 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that charges on credit card statements were not always reconciled to and supported by actual receipts.

Recommendation: We recommend that charges on credit card statements be reconciled to and supported by actual receipts prior to making payments.

Management response: We will implement new procedures with personnel who have charge privileges to continue to improve in this area. All employees using credit cards will be required to turn in receipts documenting purchases with an explanation regarding the expenditures program area.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Summary Schedule of Audit Findings
As of and for the Years Ended June 30, 2006 and 2005
(Continued)

2006-3 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that controls over cash receipts were inadequate. Deposits were not always being reconciled to cash register tapes and supporting reports. In addition, deposits were not always being made on a daily basis.

Recommendation: We recommend that controls be established to allow for daily reconciliations of cash register tapes and supporting reports to actual amounts deposited.

Management response: The organization will have an employee responsible for reconciling cash register tapes to deposit slips on a routine basis. Deposits will be made as necessary. The deposits and cash register tapes will be turned in to accountant on a weekly basis to be verified for accuracy and recorded to general ledger.

2006-4 REPORTABLE CONDITION

Statement of Condition: During our audit, we requested supporting documentation for one month's reimbursement of the Temporary Assistance to Needy Families (TANF) – After School for All grant. The agency was unable to locate the supporting documents – sign-in sheets for the month requested.

Recommendation: We recommend that controls be established to ensure that supporting documentation is retained for all reimbursement requests filed.

Management response: Report was prepared from adequate supporting documentation that was misfiled. This issue has been addressed by hiring of a full-time employee who is responsible for overseeing this program.